

Before the
FEDERAL COMMUNICATIONS COMMISSION
Washington, D.C. 20554

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U.S. DEPARTMENT OF JUSTICE
FEDERAL BUREAU OF INVESTIGATION

In the Matter of)
)
1998 Biennial Regulatory Review –) CC Docket No. 98-131
Part 61 of the Commission's Rules and)
Related Tariffing Requirements.)

COMMENTS OF SPRINT CORPORATION

Respectfully submitted,
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SUMMARY

On July 24, 1998, the Commission issued a Notice of Proposed Rulemaking regarding its biennial review of regulations contained in Part 61, inviting comment on suggested changes resulting from that review. Accordingly, Sprint offers the following comments on the Commission's proposed revisions.

Sprint supports the Commission's proposal to amend its rules to explicitly state that they apply to carriers submitting tariff filing fees electronically.

Sprint supports the Commission's proposal to remove the requirement that an ILEC "post" its interstate tariff at its business offices and instead require the ILEC to make a telephone number available for customer tariff inquiries. Sprint does not, however, support "requiring carriers that are not subject to mandatory electronic tariffing filing requirements to post their tariffs on their Internet web sites."

Sprint supports the Commission's proposal to create Section 61.24 to reduce the period that tariffs must be in effect prior to making changes; however, Sprint urges the Commission to eliminate the effective period altogether for non-dominant carriers and reduce it to 15 days for dominant carriers.

Sprint supports the Commission's proposed reorganization of the Part 61 rules to enable carriers to more easily identify rules applicable to their particular situations.

While Sprint does not object to the Commission's proposed reorganization of the notice rules to consolidate all such rules for dominant carriers in Section 61.58; Sprint encourages the Commission to adopt the alternative proposal set forth in paragraph 12. Specifically, Sprint believes that, rather than rearranging the notice rules, the Commission should modify Section 61.58 to reflect the notice requirements set forth in Section 204 (a)(3) of the Act, and allow rate reductions to become effective on not less than seven days' notice; and allow rate increases, new service offerings, and changes in terms and conditions to become effective on not less than 15 days' notice.

Sprint objects to the Commission's proposed new rule requiring carriers to maintain separate tariffs for domestic and international services. Sprint currently tariffs the domestic and international components of its services together –a structure which benefits the public because the international and interstate rates being offered for a particular product can be readily identified.

Sprint supports the Commission's proposed removal of Part 61 outlining IXC price cap rules since IXCs are considered nondominant carriers.

Sprint also supports the proposed revisions of Sections 61.47 ("Adjustments to the SBI; pricing bands") and 69.153 ("Presubscribed interexchange carrier charges") of the rules to describe more accurately the Commission's intentions with respect to the targeting of exogenous cost changes and the applicable PICC calculation methodology.

Sprint recommends that Section 61.45(b)(2) be deleted in its entirety for those price cap LECs which have already implemented intraLATA toll dialing parity. Currently, the only item left in the interexchange basket is intraLATA toll. Once the structural and regulatory barriers to intraLATA toll service are removed, the Commission should allow the market place rather than price cap regulation to govern the provision of intraLATA toll service.

Sprint suggests that in addition to the method of filing tariffs specified in Section 61.22(c)(2), the Commission should consider an alternative method of filing whereby the Carrier files on diskette (or CD-ROM) only those tariff pages which are being revised under the transmittal. At a minimum, Sprint believes the Commission should be flexible in granting waivers of the requirements of Section 61.22(c)(2).

In Part 61.22(e), the Commission is proposing to require a filing method for contract tariffs that is similar to that currently used by AT&T. Sprint urges the Commission to allow carriers to continue to use their existing formats for contract tariffs.

Finally, Sprint has attached Appendixes A and B to these comments, containing suggested changes to Parts 61 and 61.45 of the Biennial Regulatory Review NPRM rules, respectively.

Sprint is encouraged by the direction taken in the Commission's biennial review and its proposed changes. Sprint supports the adoption of changes proposed in the NPRM, with the suggested modifications.

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Pursuant to Section 11 of the Communications Act of 1934, as amended (“the Act”), the Commission has conducted a review of its regulations contained in Part 61, along with related tariffing requirements. On July 24, 1998, the Commission issued a Notice of Proposed Rulemaking (“NPRM”) in this matter inviting comment on suggested changes resulting from that review. Sprint Corporation (“Sprint”) offers the following comments on the Commission’s proposed revisions to Part 61.

I. Electronic Filing

In concert with its mandate that tariffs be filed electronically, the Commission here proposes to amend its rules to explicitly state that its rules are applicable to carriers submitting tariff filing fees electronically. Sprint (whose ILECs currently file their tariffs electronically) agrees that it is appropriate for the

Commission to change Part 61 to remove any doubt regarding the rules' applicability to carriers choosing to remit their tariff filing fees electronically.

II. Posting

The Commission recognizes that, as the ILEC's business has changed, so has the manner in which information is disseminated to its customers. Consequently, the Commission proposes to remove the requirement that causes an ILEC to "post" its interstate tariff at the company's business offices. Instead, it suggests that the ILEC make available a telephone number that can be used by customers to make inquiries regarding the tariff.

Sprint supports the Commission's proposal regarding the elimination of the posting requirement as a logical and timely improvement to the Part 61 rules. With the advent of the electronic tariff filing system, anyone wishing to review the ILEC's tariff may do so without physically being present in the company's business office. Moreover, electronic revisions to the tariff are available instantly whereas, due to the number and varied locations of most ILEC business offices, there is a delay inherent in updating the paper copies of the tariff maintained at those sites. Consequently, as a research tool, paper copies of the tariff are essentially antiquated and not particularly useful to customers. The Commission should, therefore, proceed with its plan to revise Section 61.72 by eliminating the requirement that paper copies of the interstate tariff be maintained in ILEC business offices and, in its place, directing the ILEC to make available a

telephone number through which customers may contact the company with any tariff questions they may have.

Sprint does not support “requiring carriers that are not subject to mandatory electronic tariffing filing requirements to post their tariffs on their Internet web sites.” (Para. 7) Given the volume of Sprint’ long distance tariffs (over 13,000 pages), it is far easier for customers to contact Sprint’s long distance customer service department for information than to search through tariff pages. It is Sprint’s experience that residential customers rarely want the tariff pages. Business customers whose contracts refer to the tariffs occasionally request copies of tariffs, and the sales force provides such copies for the specific services to which they will be subscribing. Again, this is a far better procedure than looking through thousands of pages of tariffs. Further, if tariff pages are needed, they can be requested from the Commission’s copying vendor or obtained from one of the vendors that provide tariffs on-line.

III. Effective Period Required Before Changes Are Allowed

Pursuant to the Commission’s current rules, a carrier’s tariff must be in effect for at least 30 days before changes are permitted to be made to it. The Commission is now proposing to create a new rule, Section 61.24, applicable to nondominant carriers, which would reduce the minimum effective period from 30 to 15 days. Sprint agrees that the 30-day timeframe at the heart of this rule is sorely in need of updating. However, while Sprint supports the Commission’s

move to a 15-day minimum effective period, it urges that, the requirement be eliminated entirely for non-dominant carriers and that a 15-day minimum effective period be applicable to dominant carriers.

In undertaking its review of Part 61, the Commission set out to amend the rules, as necessary, to reflect current practices. With respect to the 30-day minimum effective period, the reality is that requests for waivers to avoid the 30-day chokehold are routinely made and granted to both dominant and nondominant carriers. Such petitions are a necessity since the current rule is so narrow in scope that even something as innocuous as the correction of a typographical error requires a waiver. Each time a waiver is required, the carrier involved must prepare and submit the filing – along with a filing fee of \$630. The Commission must then act on the request, causing its staff to investigate the request and then produce and issue an order. While not eradicating altogether the need for waivers, cutting in half the minimum effective period would reduce significantly the administrative burdens and costs currently experienced by both the carriers and the Commission in this regard.

Recognizing, as the Commission does, that these administrative burdens exist and that the rule should be relaxed, there is no reason to knowingly continue to impose these burdens on carriers and their customers. Sprint respectfully disagrees with the Commission's reasoning, as outlined in paragraph 9 of the NPRM, that maintaining the 30-day timeframe for ILECs will

somehow protect their customers. To the contrary, maintaining the 30-day timeframe will restrict an ILEC's ability to respond to customer needs. Further, there is no need to have a minimum effective period for nondominant carriers. Market pressures often require immediate responses to competitors' actions. In light of the fierce competition in the long distance market, it is unlikely that a carrier would undertake rate changes which would be confusing to customer or that would increase customer churn. Thus, this restriction is no longer required to protect customers of nondominant carriers.

Like the rule requiring a "posting" of the tariff in each ILEC business office, the 30-day minimum effective period was created in a by-gone era when the telecommunications landscape differed vastly from that in place today. The Commission must take this opportunity to revise its rules to reflect today's environment. It should reduce the minimum effective period to 15 days for dominant carriers and eliminate it for nondominant carriers.

IV. Reorganization of Part 61

At paragraphs 10 and 11 of the NPRM, the Commission expresses its belief that the Part 61 rules should be rearranged so that carriers may more easily identify rules applicable to their particular situations. Sprint applauds the Commission's efforts in this regard and encourages it to move forward with such reorganization.

V. Notice Requirements

At paragraph 12, the Commission makes clear its intention to revise the rules regarding notice requirements and, to that end, offers alternative proposals for such a modification. First, it suggests what amounts to merely a physical reorganization of the notice rules so that all such rules for dominant carriers would be located in Section 61.58. Sprint does not object to this proposal; however, it enthusiastically endorses the alternative proposal set forth in paragraph 12. Specifically, Sprint believes that, rather than rearranging the notice rules, the Commission should modify Section 61.58 to reflect the notice requirements set forth in Section 204 (a)(3) of the Act, and allow rate reductions to become effective on not less than seven days' notice, and allow rate increases, new service offerings, and changes in terms and conditions to become effective on not less than 15 days' notice.

The practical effect of the Commission's "alternative" suggestion would be to provide carriers the flexibility to introduce new services on less than 45, but more than 15 days' notice – a decided step forward in the Commission's effort to foster competition. With today's rigid notice rule – which offers either a 15 or 45 day notice period but nothing in-between -- carriers often miss opportunities to respond to customer needs or are forced to introduce services while ignoring practical aspects of service effective dates, such as the need to coincide service introductions with established billing cycles. Providing carriers the ability to

exercise more control over when new services appear in the market will erase these filing hazards. More importantly, this added flexibility will benefit consumers who will no longer have to wait nearly one and one-half months following the filing of a new service offering for its eventual introduction into the marketplace.

VI. International Tariffs

The Commission proposes a new rule which would require carriers to maintain separate tariffs for domestic and international services because different rules apply to them. Sprint strenuously objects to this proposal. Sprint currently tariffs the domestic and international components of its services together. The public clearly benefits from this structure because the international and interstate rates being offered for a particular product can be readily identified. In many instances there are multiple international plans associated with a domestic product and promotions that may affect domestic and/or international service. A unified tariff allows customers to find these components easily. Further, it would be extremely burdensome for carriers to separate the components that are currently combined.

VII. Revisions to Price Cap Rules

The Commission has made a number of proposals regarding the price cap rules housed in Part 61. At paragraph 16, the Commission suggests that, since it has already determined that all interexchange carriers are to be treated as

nondominant carriers, those sections of Part 61 outlining IXC price cap rules should be removed. Sprint endorses the adoption of this proposal. As the Commission itself recognized when it embarked on its review herein, the Part 61 rules are, at best, confusing. Sprint fully supports any effort to streamline or otherwise recast the Part 61 rules to reflect changes in the regulatory landscape.

Paragraph 18 requests comment on whether revision of Sections 61.47 (“Adjustments to the SBI; pricing bands”) and 69.153 (“Presubscribed interexchange carrier charges”) of the rules is required in order to describe more accurately the Commission’s intentions with respect to the targeting of exogenous cost changes and the applicable PICC calculation methodology, respectively. Once again, Sprint welcomes the Commission’s proposed changes. The Sprint LECs, like most other price cap LECs, find themselves in need of waivers of Sections 61.47 and 69.153 requirements each time a price cap filing is made since the rules, in their current state, do not fully reflect the direction given carriers by the Commission in the *Access Reform* and related orders.

With respect to Section 61.47, the Commission, in its *Access Reform* order, directed price cap LECs to “target” particular rate reductions to particular baskets. However, the rules resulting from that order do not specify how the carrier is to allocate cost changes within the baskets themselves. To date, carriers have proceeded under a trial and error process in which a carrier allocates cost changes in the manner it believes most appropriate, only to have the

Commission, through the TRP process, mandate use of a different targeting method. To avoid this annual “regulatory dance” in the future, the Commission should codify, in Part 61.47, the appropriate targeting methodology to be used by all carriers.

Similarly, in reviewing price cap LECs’ tariffs filed to implement access reform, the Commission found that, in developing their access rates, the LECs should use base period demand and revenues rather than projected revenue and demand data. Part 61 rules do not, however, adequately reflect the Commission’s expectations on this point. Sprint has continuously voiced its support for the use of historical rather than forecasted information in the development of access rates.¹ Basing a rate on a forecast which, by virtue of being an estimate, results in imprecision, confusion, and additional administrative burden to the regulatory process. Consequently, Sprint emphatically supports the proposed revisions to Section 69.153 to provide for the use of base period demand, rather than projected data in calculating the SLC and PICC.

¹ Sprint has filed comments in this continuing debate in the context of its 1997 Annual Filing (*In the Matter of 1997 Annual Access Tariff Filings*, CC Docket 97-149, Sprint Direct Case filed September 2, 1997; Rebuttal Comments filed September 24, 1997); Bell Atlantic’s Petition for Reconsideration of the Annual Filing (*In the Matter of 1997 Annual Access Tariff Filings*, CC Docket 97-149 CCB/CPD 98-1, Sprint Comments filed January 21, 1998; Reply Comments filed January 28, 1998); US WEST’s Petition for Waiver of Sections 61.45(d), 61.46(d) and 69.152 of the Commission’s Rules (*In the Matter of The Petition of U S WEST Communications, Inc. for Waiver of Sections 61.45(d), 61.46(d) and 69.152 of the Commission’s Rules*, CC Docket No. 97-149, Sprint Comments filed March 9, 1998); and; and *In the Matter of Tariffs Implementing Access Charge Reform*, CC Docket No. 97-250, (Sprint Direct Case filed February 27, 1998).

Adopting the revisions to Sections 61.47 and 69.153, as outlined above, will save both carriers and the Commission considerable administrative time and expense by eliminating the need to request and grant what have become routine waivers. Sprint encourages the Commission to move forward to implement these proposed changes.

Finally, in paragraph 19 the Commission seeks comment on a proposed revision to Section 61.45(b)(2) which would incorporate the provisions of Section 61.44 (d) into Section 61.45. While requesting comment on the prospective change, the Commission also asks whether the proposed language is necessary at all, considering that Section 61.44 (d), in its current state, is applicable only to IXC's subject to price caps. Thus, the Commission asks if, to the extent Section 61.45(b)(2) is necessary at all, it should be redrafted to make clear that its provisions are limited to the price cap LECs' calculation of the PCI for the interexchange basket.

Sprint recommends that Section 61.45(b)(2) be deleted in its entirety for those price cap LECs which have already implemented intraLATA toll dialing parity. Currently, the only item left in the interexchange basket is intraLATA toll. Once the structural and regulatory barriers to intraLATA toll service are removed, the Commission should allow the market place rather than price cap regulation to govern the provision of intraLATA toll service. The Commission

should, therefore, remove the interexchange basket from price cap regulation once full dialing parity has been implemented.

VIII. Composition of Tariffs

Sprint suggests that in addition to the method of filing tariffs specified in Section 61.22(c)(2) the Commission consider an alternative method of filing whereby the Carrier files on diskette (or CD-ROM) only those tariff pages which are being revised under the transmittal. This method could apply for all tariff transmittals filed during the month except for the last tariff transmittal of the month. For the last tariff transmittal of the month, the Carrier would file a complete set of all tariffs revised during the month. This method would meet the Commission's requirements of having complete updated copies of the Carrier's tariffs on file at the Commission. This method would also alleviate any administrative storage shortages that could arise with having carriers submit complete copies of diskettes or CD-ROMs with each transmittal. At a minimum, Sprint believes the Commission should be flexible in granting waivers of the requirements of Section 61.22(c)(2).

IX. Contract Tariffs

In Part 61.22(e), the Commission is proposing to require a filing method for contract tariffs that is similar to that currently used by AT&T. Sprint, among other, files its contracts consecutively as options within a single tariff, Sprint Tariff F.C.C. No. 12. This tariff, which currently has approximately 2700

options, contains a set of terms and conditions which apply to all contracts.

Sprint is unaware of any complaint concerning its tariff structure, which it has been using since 1995, or any customer confusion. Thus, Sprint urges the Commission to allow carriers to continue to use their existing formats for contract tariffs.

X. Suggested Changes to Part 61

Finally, the Commission requests comment on Appendix A to the NPRM, which contains suggested modifications to Part 61, in its entirety. Attached hereto, as Attachment A, which is an outline of the changes to Part 61 Biennial Regulatory Review NPRM rules in Appendix A. Sprint believes these changes are necessary to cause the Part 61 rules to reflect accurately the manner in which price cap and tariff filings are made today. In some instances, as noted in the attachment, Sprint has found errors in the Commission's recitation of certain price cap formulas; in other situations, changes are required in order to conform the rules to actual filing practices. Sprint urges the Commission to examine carefully Attachment A and adopt the changes set forth therein.

Attachment B contains more detail that completely overhauls Section 61.45 to fully codify PCI calculations with and without targeting. It is Sprint's belief that, even with the proposed changes to Appendix A, discussed above, the issue of targeting is still not dealt with sufficiently in the rules or in Attachment A. In Sprint's opinion, the language delineated in Attachment B captures in

greater detail, the methodology mandated by the Commission for use in targeting rate reductions resulting from the application of the annual productivity factor to the elimination of the non-facility residual interconnection charge. The Commission should, therefore, incorporate the language contained in Attachment B into the final Part 61 modifications.

XI. CONCLUSION

Sprint is encouraged by the direction taken in the Commission's biennial review and the concomitant proposals for change that have resulted. Sprint believes the changes proposed in the NPRM, with the modifications noted herein, should be adopted forthwith.

Respectfully submitted,
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Attachment A

Changes to Part 61 Biennial Regulatory Review NPRM Rules in Appendix A

Item 38. As written, in § 61.45(b)(1) the definition of R is incorrect when it tries to add the appropriate PICC quantity.

Revise as follows:

R = an amount calculated by multiplying base period quantities for each rate element in the basket by the price for that rate element at the time the PCI was updated to PCI_{t-1} , summing the results **including the portion of the EUCL and PICC revenues associated with the basket** and ~~adding the products of base period quantities for each PICC established in Section 69.153 of this Chapter and the portion of that PICC that is associated with the basket.~~

Item 38. As written, in § 61.45(b)(1) the “w” formula is incorrect by including the calculation for imputed revenues for the interexchange basket.

Revise as follows:

$W = R - (\text{access rate in effect at the time the PCI was updated to } PCI_{t-1}, \text{ multiplied by base period demand}) + \Delta Z$, all divided by R.

Item 38. As written, in § 61.45(b)(2) the rule language after the first sentence is left over from AT&T price regulation. It should be deleted with only the first sentence remaining.

Revise as follows:

(2) The “w(GDP-PI - X)” component of the PCI formula specified in paragraph (b)(1) of this section shall be employed only in the adjustment made in connection with the annual price cap filing. ~~In calculating the “w” variable in the formula detailed in paragraph (b)(1) of this section, the access costs that must be subtracted from the “R” variable shall be apportioned among the baskets specified in Sections 61.42(d)(2), (3), (4), and (6) as follows:~~

~~(i) The net change in total non-traffic sensitive access costs for all capped services (in all baskets), calculated at base period demand, shall be allocated among the baskets in proportion to each basket’s share of total base period non-traffic sensitive minutes of access (both originating and terminating);~~

~~(ii) The net change in total traffic sensitive access costs for all capped services (in all baskets), calculated at base period demand, shall be allocated among the baskets in proportion to each basket’s share of total base period traffic sensitive minutes of access;~~

~~(iii) Changes in special access costs, calculated at base period demand, shall be assigned directly to the trunking basket specified in Section 61.42(d)(3).~~

Item 38. As written, in § 61.45(b)(4), the PCI formula leaves out the adjustment for the imputation of access charges (ΔY).

Revise as follows:

Adjustments to local exchange carrier PCIs for the interexchange basket designated in Section 61.42(d)(4) shall be made pursuant to the **following** formula ~~set forth in paragraphs (b)(1) and (2) of this Section. Notwithstanding that formula, the value of X for this basket shall be 3.0 percent :~~

$$PCI_t = PCI_{t-1} [1 + w(GDP-PI - X) + \Delta Y/R + \Delta Z/R]$$

where

GDP-PI = the percentage change in the GDP-PI between the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year,

X = productivity factor of 3%,

ΔY = (new access rate - access rate at the time the PCI was updated to PCI_{t-1}) x (base period demand),

ΔZ = the dollar effect of current regulatory changes when compared to the regulations in effect at the time the PCI was updated to PCI_{t-1} , measured at base period level of operations,

R = base period quantities for each rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI_{t-1} ,

w = R - (access rate in effect at the time the PCI was updated to PCI_{t-1} x base period demand) + ΔZ , all divided by R,

PCI_t = the new PCI value, and

PCI_{t-1} = the immediately preceding PCI value.

Item 40. As written, in § 61.45(c)(1) the definition of R is incorrect when it tries to add the appropriate PICC quantity.

Revise as follows:

R = an amount calculated by multiplying base period quantities for each rate element in the basket by the price for that rate element at the time the PCI was updated to PCI_{t-1} , summing the results **including the portion of the EUCL and PICC revenues associated with the basket** and ~~adding the products of base period quantities for each PICC established in Section 69.153 of this Chapter and the portion of that PICC that is associated with the common line basket,~~

Item 41. As written, § 61.45(c)(2) should be revised to clarify that g will equal 0 in non-annual tariff filings or there will be rate impacts in the CAP-1 calculations.

Revise as follows:

(c)(2) The " $w[(GDP-PI - X - (g/2))/(1 + (g/2))]$ " component of the PCI formula contained in paragraph (c)(1) of this section shall be employed only in the adjustment made in connection with the annual price cap filing. **In non-annual price cap filings, g will be equal to 0.**

Item 45. § 61.45(i)(1) should state explicitly that reductions to the PCI associated with "w", "GDP-PI" and "X" will not be applied to the common line and traffic sensitive baskets in the annual filing to the extent that the price cap LEC is recovering residual interconnection charge revenues through per-minute rates. In addition, the rule as currently written does not allow the recovery of exogenous costs in the calculations.

Revise the rule as follows:

(i)(1) Notwithstanding the provisions of paragraphs (b) and (c) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering interconnection charge revenues through per-minute rates pursuant to § 69.124 or § 69.155 of this chapter shall target, to the extent necessary to eliminate the recovery of any residual interconnection charge revenues through per-minute rates, any PCI reductions associated with the baskets designated in § 61.42(d)(1) and (2) that result from the application of the formulas in **§ 61.45(b)(1) and (c)(1) but excluding from the calculations the $\Delta Z/R$ component of the PCI for the basket designated in § 61.42(d)(3), with no adjustment being made to the PCIs for the baskets designated in § 61.42(d)(1) and (2) as a result of the application of the formulas in § 61.45(b)(1) and (c)(1) but excluding from the calculations the $\Delta Z/R$ component.** These reductions are to be made after the adjustment is made to the PCI for the basket designated in § 61.42(d)(3) resulting from the application of those formulas. Any PCI changes associated with the baskets designated in § 61.42(d)(1) and (2) shall include the $\Delta Z/R$ component but exclude the "w", "GDP-PI", and "X" components to the extent that they have been targeted to the basket designated in § 61.42(d)(3).

Item 45. § 61.45(i)(2) should state explicitly that reductions to the PCI associated with “w”, “GDP-PI” and “X” will not be applied to the marketing basket in the annual filing to the extent that the price cap LEC is recovering residual interconnection charge revenues through per-minute rates.

Revise as follows:

(i)(2) Notwithstanding the provisions of paragraph (b) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering interconnection charge revenues through per-minute rates pursuant to § 69.155 of this chapter shall target, to the extent necessary to eliminate the recovery of any residual interconnection charge revenues through per-minute rates, any PCI reductions associated with the basket designated in § 61.42(d)(6) that result from the application of the formula in § 61.45(b) **but excluding from the calculations the $\Delta Z/R$ component, with no adjustment being made to the PCIs for the basket designated in § 61.42(d)(6). This adjustment, including any adjustment due to the $\Delta Z/R$ component, will be made after any adjustment made pursuant to paragraph (i)(1) of this section.**

Item 45. § 61.45(i)(4) should be clarified to reflect a ratio of the sum of the dollar effects of the PCI reductions (excluding reductions due to exogenous adjustments) that would have applied to the common line, traffic-sensitive, and marketing expense baskets to the revenues applicable to the trunking basket. **NOT correcting this error could incorrectly force the trunking basket PCI to zero in the next annual filing.**

Revise as follows:

(4) Effective January 1, 1998, the reduction in the PCI for the trunking basket designated in Section 61.42(d)(3) that results from paragraphs (i)(1) and (i)(2) of this section shall be determined by multiplying the PCI for the trunking basket by one minus the ratio of the **sum of the dollar effects** of the PCI reductions otherwise applicable to the common line, traffic-sensitive, and marketing expense baskets, to the **revenues applicable to** ~~dollar effect of the PCI reduction for the trunking basket.~~

Item 46. § 61.45(j)(2) should be revised to reflect the ΔZ component of the formulas, including the marketing basket. The rule should clarify that all such exogenous adjustments should be reflected in the PCIs and SBIs as they would be if there were no targeting.

Revise as follows:

(2) exclude the amount of any exogenous adjustments **in the ΔZ component of the formulas** permitted or required for the common line, ~~and~~ traffic sensitive, ~~and~~ **marketing** baskets, defined in Sections 61.42(d)(1), ~~and~~ (d)(2), ~~and~~ **(d)(6)**, from the retargeting adjustment to the PCI for the trunking basket defined in Section 61.42(d)(3).

Any such exogenous adjustments shall be reflected in the PCIs and SBIs in the same manner as they would have been reflected if there were no targeting.

Item 49. §§ 61.47(i)(2)(i), (ii) and (iii) should be revised to add SBI formulas for annual access tariff filings. Currently, only SBI formulas for non-annual access tariff filings are displayed. In addition, all references in the current SBI formulas to exogenous cost “reductions” should be changed to exogenous cost “adjustments” since exogenous adjustments can be either positive or negative.

Revise as follows:

61.47 (i)(2) Any exogenous cost change that is untargeted within the meaning of Section 61.45(d)(4) of this Chapter shall be reflected in other service band indices for service categories in the traffic sensitive and trunking baskets as follows:

(i) For annual access tariff filings:

(A) For annual access tariff filings, the following formula will be used to calculate the upper pricing limit for the Local Switching, Database, Information, and Billing Name and Address service categories in the Traffic Sensitive Basket, and for the Voice Grade, Audio/Video, total High Capacity, Wideband, Tandem-Switched Transport, Interconnection, and Signalling for Tandem Switching service categories in the Trunking basket. The upper pricing band for these service categories shall limit the annual SBI upward pricing flexibility to the percents defined in (e), above.

$$SBI_{ul} = \frac{tPCI_t}{PCI_{t-1}} * SBI_{t-1} * (1 + ul\%) * \left(1 + \frac{\left(T + \frac{R_{Svt-t} * U_{bkt}}{R_{Bkt-t}} \right)}{R_{Svt-t}} \right)$$

where :

SBI_{ul} = the new SBI upper limit

SBI_{ul,t-1} = the immediately preceding SBI upper limit

tPCI_t = the targeting-PCI for the basket, as defined in paragraph 61.45(m) of this chapter

PCI_{t-1} = the immediately preceding PCI for the basket

SBI_{t-1} = the immediately preceding SBI for the service category

ul% = the upper limit percentage for a given service category, subservice category, or density zone

T = the sum of the exogenous charges targeted to the specific service category, subservice category, or density zone

RBskt_{t-1} = the R-value for the basket, calculated as base period quantities for each rate element “i”, multiplied by the price for each rate element “i” at the time the PCI was updated to **PCI_{t-1}**

RSvc_{t-1} = the R-value for the service category, calculated as base period quantities for each rate element “i”, multiplied by the price for each rate element “i” at the time the PCI was updated to **PCI_{t-1}**

U_{Bskt} = the untargeted exogenous adjustment associated with the basket.

(B) For annual access tariff filings, the following formula will be used to calculate the upper pricing limit for 800 Database Vertical Services subservice in the Traffic Sensitive basket, the DS1 and DS3 subservices in the Trunking basket, and the density pricing zones for voice grade services and tandem-switched transport permitted by Sections 61.47(h)(1)(iii) and (iv). The upper pricing band for these subservice categories shall limit the annual SBI upward pricing flexibility to the percents defined in (e), above.

$$SBI_{ul} = \frac{t PCI_t}{PCI_{t-1}} * SBI_{t-1} * (1 + ul\%) * \left(1 + \frac{\left(T + \frac{R_{SbSvc_{t-1}} * U_{bskt} + R_{SbSvc_{t-1}} * U_{Svc}}{R_{Bskt_{t-1}}} \right)}{R_{SbSvc_{t-1}}} \right)$$

where:

RSbSvc_{t-1} = the R-value for the subservice category, calculated as base period quantities for each rate element “i”, multiplied by the price for each rate element “i” at the time the PCI was updated to **PCI_{t-1}**

U_{Svc} = the untargeted exogenous adjustment associated with the service category of which the subservice or density zone is a part

(C) For annual access tariff filings, the following formula will be used to calculate the upper pricing limit for DS1 and DS3 Density Zones in the Trunking basket. The upper pricing band for these density zones shall limit the annual SBI upward pricing flexibility to the percents defined in (e), above.

$$SBI_{ul} = \frac{t PCI_t}{PCI_{t-1}} * SBI_{t-1} * (1 + ul\%) * \left(1 + \frac{\left(T + \frac{R_{DZ_{t-1}} * U_{bskt} + R_{DZ_{t-1}} * U_{Svc} + R_{DZ_{t-1}} * U_{SbSvc}}{R_{Bskt_{t-1}}} \right)}{R_{DZ_{t-1}}} \right)$$

where:

RDZ_{t-1} = the R value for the Density Zone, calculated as base period quantities for each rate element “i”, multiplied by the price for each rate element “i” at the time the PCI was updated to **PCI_{t-1}**

U_{SbSvc} = the untargeted exogenous adjustment associated with the subservice category of which the density zone is a part

(i) For non-annual access tariff filings:

..... (unchanged except for section numbers)

(2)(i) * * * **Change section number to 61.47(i)(2)(ii)(A)**

U_{basket} = the untargeted exogenous cost **adjustment reduction** to be associated with the basket.

(2)(ii) * * * **Change section number to 61.47(i)(2)(ii)(B)**

U_{svc} = the untargeted exogenous cost **adjustment reduction** to be associated with the service category.

(2)(iii) * * * **Change section number to 61.47(i)(2)(ii)(C)**

U_{subsvc} = the untargeted exogenous cost **adjustment reduction** to be associated with the service subcategory.

In addition, a new Section 61.45(m) should be added detailing a “targeting PCI”, as referenced in Section 61.47(i)(2)(i)(A). The new Section 61.45(m) should read as follows:

61.45(m) For annual access tariff filings only, a second form of PCI, to be called a “targeting PCI”, will be developed. This targeting PCI will be used as the means of developing upper limits for service bands, subservice bands, and/or density zones. The targeting PCI (**tPCI_t**) is calculated as a PCI without exogenous changes, using the following formula:

(i) Until targeting to the TIC (as described in xx.xx) is completed, the formula for this calculation will be:

$$tPCI_t = PCI_{t-1} * \left(1 + \frac{(InitialTargetedReduction - ActualTargetedReduction)}{R_{t-1}} \right)$$

where:

tPCI_t = the new targeting PCI for the basket, as defined above,

PCI_{t-1} = the immediately preceding PCI value,
Initial Targeted Reduction = the total possible dollar value of the (GDP-PI - X) reductions,
Actual Targeted Reduction = the actual dollar value of the (GDP-PI - X) reductions that will be targeted to the TIC (as defined in paragraph XX.XX).

Item 55. Delete the new Section 61.49 (l) requirement to indicate the transmittal number above the bottom margin of each page of cost support material. This new requirement is burdensome and difficult to administer. If a standard is required, the Transmittal Number should be placed in the upper left hand corner of each page, to be consistent with the TRP.

Revise as follows:

~~(l) Above the bottom margin of each page of cost support material submitted pursuant to this section, the carrier shall indicate the transmittal number under which that page was submitted.~~

Item 65. § 61.58(a)(2)(i) should be revised to clarify that Section 204(a)(3) is the streamlined tariff provisions of the Communications Act.

Revise as follows:

(i) Local exchange carriers may file tariffs pursuant to **the streamlined tariff provisions of** Section 204(a)(3) of the Communications Act

Item 68. § 61.58(c) should be revised to make clear that the notice requirements contained in these rules apply to price cap LECs not choosing to file tariffs pursuant to the streamlined tariff provisions of Section 204(a)(3) of the Communications Act.

Revise as follows:

(c) *Carriers subject to price cap regulation **not choosing to file tariffs pursuant to the streamlined tariff provisions of Section 204(a)(3) of the Communications Act.*** This paragraph applies only to carriers subject to price cap regulation **which choose not to file tariffs pursuant to the provisions of Section 204(a)(3) of the Communications Act.** Such carriers must file tariffs according to the following notice periods.

Item 75. In describing the renumbering revision, Section 61.58(e)(3) should be redesignated as Section 61.58(e)(4).



Attachment B

§ 61.45 Adjustments to the PCI for local exchange carriers.

(a) Local exchange carriers subject to price cap regulation shall file adjustments to the PCI for each basket as part of the annual price cap tariff filing, and shall maintain updated PCIs to reflect the effect of mid-year exogenous cost changes.

(b) Adjustments to local exchange carrier PCIs for the baskets designated in § 61.42(d) ~~(2), (3), (4), (5), and (6)~~ shall be made pursuant to the formulas set forth below, in § 61.44(b), and as further explained in §§ 61.44 ~~(e), (f), (g), and (h)~~

~~(1) Notwithstanding the value of X defined in § 61.44(b), the X value applicable to the baskets specified in § 61.42(d) (2), (3), and (6) shall be 6.5%.~~

~~(2) For the basket specified in § 61.42(d)(4), the value of X for all local exchange carriers subject to price cap regulation, shall be 3.0%.~~

~~(3) Notwithstanding the value of X defined in § 61.44 (b), the value of X applicable to the basket specified in § 61.42(d)(5) shall be 0%.~~

(c) The PCI calculations included in this section are applicable for annual tariff filings when the local exchange carrier no longer has residual interconnection charge revenue. If the local exchange carrier has residual interconnection charge revenue remaining at an annual filing, provisions of 61.45(i) and 61.45(j) will determine the appropriate PCI calculations.

(1) Subject to paragraphs ~~(e)(2) and (e)~~ of this section, Adjustments to local exchange carrier PCIs for the Common Line basket designated in § 61.42(d)(1) shall be made pursuant to the following formulas:

(i) For carriers imposing a carrier common line charge, the PCI would be calculated as:

$$PCI_t = PCI_{t-1} [1 + w((GDP-PI - X - (g/2))/(1 + (g/2))) + \Delta Z/R]$$

where the terms in the equation are described in section (c)(6) below.

~~GDP-PI = the percentage change in the GDP-PI between the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year;~~

~~X = productivity factor of 6.5%;~~

~~g = the ratio of minutes of use per access line during the base period, to minutes of use per access line during the previous base period, minus 1;~~

~~\Delta Z = the dollar effect of current regulatory changes when compared to the regulations in effect at the time the PCI was updated to PCI_{t-1} , measured at base period level of operations;~~

~~\Delta Y = the summation of (new access rate - access rate at the time the PCI was updated to PCI_{t-1}) x (base period demand), across all access rate elements~~

~~R = base period quantities for each rate element "I", multiplied by the price for each rate element "I" at the time the PCI was updated to PCI_{t-1} ;~~

~~w = $R + \Delta Z$, all divided by R~~

§ 61.45 Adjustments to the PCI for local exchange carriers.

PCI_t = the new PCI value, and

PCI_{t-1} = the immediately preceding PCI value.

(2)(i) The formula set forth in paragraph (c)(1)(i) of this section shall be used by a local exchange carrier subject to price cap regulation only if that carrier is imposing a carrier common line charge pursuant to § 69.154 of this chapter. Otherwise, adjustments to local exchange carrier PCIs for the common line basket designated in § 61.42(d)(1) shall be made pursuant to the formula: set forth in § 61.44(b), and paragraphs (i) and (j) of this section, and as further explained in § 61.44 (e), (f), (g), and (h). For the purposes of this paragraph, and notwithstanding the value of X defined in § 61.44(b), the X value applicable to the basket specified in § 61.42(d)(1) shall be 6.5%.

$$PCI_t = PCI_{t-1} / [1 + w[(GDP-PI - X) + \Delta Z/R]]$$

where the terms in the equation are described in section (c)(6) below.

(2) Adjustments to local exchange carrier PCIs for the traffic sensitive basket designated in § 61.42(d)(2) shall be made as follows:

(i) For all filings, adjustments to the LEC traffic sensitive PCI shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1} / [1 + w[(GDP-PI - X) + \Delta Z/R]]$$

where the terms in the equation are described in section (c)(6) below.

(ii) For annual filings only, a second form of PCI, to be called a "targeting PCI", will be developed. This targeting PCI will be used as the means of developing upper limits for service bands, subservice band, and/or density zones. The targeting-PCI ($tPCI_t$) is calculated as a PCI without exogenous changes, using one of the following formulas:

(A) Until targeting to the TIC is completed, the formula for this calculation will be:

$$tPCI_t = PCI_{t-1} * \left(1 + \frac{(InitialTargetedReduction - ActualTargetedReduction)}{R_{t-1}} \right)$$

where the terms in the equation are described in section (c)(6) below.

(B) Once targeting to the TIC is completed, the formula for the targeting will be:

$$tPCI_t = PCI_{t-1} * (1 + (gdppi - x))$$

where the terms in the equation are described in section (c)(6) below.

(3) Adjustments to local exchange carrier PCIs for the Trunking basket designated in § 61.42(d)(3)

§ 61.45 Adjustments to the PCI for local exchange carriers.

shall be made as follows:

(i) For all filings, adjustments to the LEC trunking PCI shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1} [1 + w / (GDP - PI - X) + \Delta Z / R]$$

where the terms in the equation are described in section (c)(6) below.

(ii) For annual filings only, a second form of PCI, to be called a "targeting PCI", will be developed. This targeting PCI will be used as the means of developing upper limits for service bands, subservice band, and/or density zones. The targeting-PCI (tPCI_t) is calculated as a PCI without exogenous changes, using one of the following formulas:

(A) Until targeting to the TIC is completed, the formula for this calculation will be:

$$tPCI_t = PCI_{t-1} * \left(1 + \frac{(InitialTargetedReduction - ActualTargetedReduction)}{R_{t-1}} \right)$$

where the terms in the equation are described in section (c)(6) below.

(B) Once targeting to the TIC is completed, the formula for the targeting PCI will be:

$$tPCI_t = PCI_{t-1} * (1 + (gdppi - x))$$

where the terms in the equation are described in section (c)(6) below.

(4) Adjustments to local exchange carrier PCIs for the interexchange basket designated in § 61.42(d)(4) shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1} [1 + w_{iv} / (GDP - PI - X) + \Delta Y / R + \Delta Z / R]$$

where the terms in the equation are described in section (c)(6) below.

(5) Adjustments to local exchange carrier PCIs for the marketing basket designated in § 61.42(d)(6) shall be made pursuant to the following formula:

$$PCI_t = PCI_{t-1} [1 + w / (GDP - PI - X) + \Delta Z / R]$$

where the terms in the equation are described in section (c)(6) below.

§ 61.45 Adjustments to the PCI for local exchange carriers.

(6) PCI term definitions: PCI formulas in sections (c)(1) through (c)(5), above, contain some or all of the following components, which are defined here.

gdppi = For annual filings only, the percentage change in the GDP-PI between the quarter ending six months prior to the effective date of the new annual tariff and the corresponding quarter of the previous year. For all other filings, the value is zero.

X = For annual filings only, productivity factor of 6.5% (for the common line, traffic sensitive, trunking, and marketing baskets) or 3.0% (for the interexchange basket). For all other filings, the value is zero.

g = For annual filings only, the ratio of minutes of use per access line during the base period, to minutes of use per access line during the previous base period, all minus 1. For all other filings, the value is zero.

ΔZ = the dollar effect of current regulatory changes when compared to the regulations in effect at the time the PCI was updated to PCI_{t-1} , measured at base period level of operations.

ΔY = (new access rate - access rate at the time the PCI was updated to PCI_{t-1}) x (base period demand), summed for all access rate elements

R = base period quantities for each rate element "I", multiplied by the price for each rate element "I" at the time the PCI was updated to PCI_{t-1} .

w = R + ΔZ , all divided by R (used for the common line, traffic sensitive, trunking, and marketing baskets)

w_{ix} = R - (access rate in effect at the time the PCI was updated to PCI_{t-1} x base period demand) + ΔZ , all divided by R,

PCI_t = the new PCI value, and

PCI_{t-1} = the immediately preceding PCI value.

$tPCI_t$ = the new targeting-PCI for the basket, as defined above

Initial Targeted Reduction = the total possible dollar value of the (gdppi - x) reductions

Actual Targeted Reduction = the actual dollar value of the (gdppi - x) reductions that will be targeted to the TIC (as defined in paragraph 61.46(i) of this chapter)

§ 61.45 Adjustments to the PCI for local exchange carriers.

(d) The exogenous cost changes represented by the term " ΔZ " in the formula detailed in paragraphs (b) and (c) of this section shall be limited to those cost changes that the Commission shall permit or require by rule, rule waiver, or declaratory ruling.

(1) Subject to further order of the Commission, those exogenous changes shall include cost changes caused by:

(i) the completion of the amortization of depreciation reserve deficiencies;

(ii) such changes in the Uniform System of Accounts, including changes in the Uniform System of Accounts requirements made pursuant to § 32.16 of this chapter, as the Commission shall permit or require be treated as exogenous by rule, rule waiver, or declaratory ruling;

(iii) changes in the Separations Manual;

(iv) changes to the level of obligation associated with the ~~Long Term Support Fund and the Transitional Support Fund~~ Universal Service Fund obligation described in § 69.612 Part 54;

(v) reallocation of investment from regulated to nonregulated activities pursuant to § 64.901;

(vi) such tax law changes and other extraordinary cost changes as the Commission shall permit or require be treated as exogenous by rule, rule waiver, or declaratory ruling.

(vii) retargeting the PCI to the level specified by the Commission for carriers whose base year earnings are below the level of the lower adjustment mark.

(viii) inside wire amortizations.

(ix) ~~The~~ completion of amortization of equal access expenses.

(2) ~~[Removed and reserved.] (i) Local exchange carriers specified in § 61.41(a)(2) or (a)(3) shall also make such temporary exogenous cost changes as may be necessary to reduce PCIs to give full effect to any sharing of base period earnings required by the sharing mechanism set forth in the Commission's Second Report and Order in Common Carrier Docket No. 87-313, FCC 90-314, adopted September 19, 1990. Such exogenous cost changes shall include interest, computed at the prescribed rate of return, from the day after the end of the period giving rise to the adjustment, to the midpoint of the period when the adjustment is in effect.~~

~~(ii) Local exchange carriers specified in § 61.41(a)(2) or (a)(3) shall not be subject to the sharing mechanism set forth in the Commission's Second Report and Order in Common Carrier Docket No. 87-313, FCC 90-314, adopted September 19, 1990, with respect to earnings accruing on or after July 1, 1997. This paragraph has no effect on any sharing obligation of any local exchange carrier relating to earnings accrued before July 1, 1997.~~

(3) Local exchange carriers specified in § 61.41(a)(2) or (a)(3) shall, in their annual access tariff filing, recognize all exogenous cost changes attributable to modifications during the coming tariff year in the obligations specified in § 61.45(d)(1)(iv) as well as those changes attributable to alterations in their Subscriber Plant Factor and the Dial Equipment Minutes factor, and completions of inside wire amortizations and reserve deficiency amortizations.

§ 61.45 Adjustments to the PCI for local exchange carriers.

(4) Exogenous cost changes shall be apportioned on a cost-causative basis between price cap services as a group, and excluded services as a group. Exogenous cost changes thus attributed to price cap services shall be further apportioned on a cost-causative basis among the price cap baskets. For purposes of this Chapter, exogenous cost changes that are not targeted to a specific price cap service category or subcategory pursuant to Commission Rule or Order shall be referred to as "untargeted exogenous cost changes."

(e) ~~[Removed and reserved.] The " $w[(GDP-PI-X-(g/2))/(1+(g/2))]$ " component of the PCI formula contained in paragraph (c) of this section shall be employed only in the adjustment made in connection with the annual price cap filing.~~

(f) The exogenous costs caused by new services subject to price cap regulation must be included in the appropriate PCI calculations under paragraph (c) of this section beginning at the first annual price cap tariff filing following completion of the base period in which they are introduced.

(g) In the event that a price cap tariff becomes effective, which tariff results in an API value (calculated pursuant to § 61.46) that exceeds the currently applicable PCI value, the PCI value shall be adjusted upward to equal the API value.

(h) [Removed and reserved.]

(i) (1) Notwithstanding the provisions of paragraphs (b) and (c) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering residual interconnection charge revenue through per-minute rates pursuant to 69.124, 69.153(a) or 69.155 of this chapter shall, during the annual access filing, transfer or "target" to the trunking basket (and the Interconnection Charge service category in particular) the dollar impact of the common line and traffic sensitive baskets' gdppi, productivity factor, and growth in common line minutes of use per line (g factor), as those items are described in paragraph (c)(6) of this section. In order to calculate the actual dollars to transfer to the trunking basket, carriers will first determine an "Initial Targeted Revenue Differential" by basket, and then determine the "Actual Targeted Revenue Differential" that will be transferred to the trunking basket to eliminate the recovery of non-facility residual interconnection charges in that basket. Dollars that are transferred to the trunking basket from the common line and traffic sensitive baskets shall not be used to reduce the PCIs in the those baskets.

(i) To determine the portion of Initial Targeted Revenue Differential that will be targeted to the elimination of the residual interconnection charge from other price cap baskets, price cap local exchange carriers shall first calculate the Initial Targeted Revenue Differential associated with the common line, traffic sensitive, and trunking baskets.

§ 61.45 Adjustments to the PCI for local exchange carriers.

(A) The application of one of the following formulas shall be employed in determining the Initial Targeted Revenue Differential associated with the gdppi, X, and g components of the PCI for the common line basket (as designated in 61.42(d)(1)).

((1)) If the local exchange carrier is imposing a carrier common line charge pursuant to 69.154 of this chapter, the formula below should be used.

$$\text{Initial Targeted Revenue Differential} = ((R - \text{CCL } R) + (\text{CCL } R / (1 + (g/2))) * (1 + \text{gdppi} - X) - R$$

where CCL R = base period quantities for each minute of use rate element "i", multiplied by the price for each rate element "i" at the time the PCI was updated to PCI(t-1).

((2)) Otherwise, the price cap local exchange carrier shall use the following formula:

$$\text{Initial Targeted Revenue Differential} = R * (\text{gdppi} - X)$$

(B) The application of the following formula shall be employed in determining the Initial Targeted Revenue Differential associated with the gdppi and X components of the PCIs for the traffic sensitive and trunking baskets (as designated in 61.42(d)(2) and (3)).

$$\text{Initial Targeted Revenue Differential} = R * (\text{gdppi} - X)$$

(ii) Actual Targeted Revenue Differentials shall be calculated by basket, based on the non-facility residual interconnection charge dollars and the Initial Targeted Revenue Differential previously calculated for each basket, as follows.

(A) If the non-facility residual interconnection charge dollars are less than the exogenous changes targeted to the TIC service category, none of the Initial Targeted Revenue Differential from any basket will be targeted to the TIC, Actual Targeted Revenue Differentials for all baskets will be set to zero, and the PCI formulas detailed in 61.45(c) shall apply.

(B) If the non-facility residual interconnection charge dollars are greater than the exogenous changes targeted to the TIC but less than the sum of the TIC-targeted exogenous changes plus the trunking basket Initial Targeted Revenue Differential, then the residual TIC will be completely eliminated, and the Actual Targeted Revenue Differential for the trunking basket shall equal non-facility residual interconnection charge dollars minus any TIC-targeted exogenous changes. The difference between Initial Targeted Revenue Differential and the Actual Targeted Revenue Differential will be included in the calculation of the new PCI, using the formula in paragraph (i)(4), below, and shall be applied to all services in the trunking basket in accordance with relative R value of each service remaining in the basket. In addition, Actual Targeted Revenue Differential for the common line and traffic sensitive baskets will be set to zero, and the PCI formulas detailed in 61.45(c) shall apply for those baskets.

§ 61.45 Adjustments to the PCI for local exchange carriers.

(C) If there are non-facility residual interconnection charge dollars remaining after the targeting of the Trunking dollars (described in (B), preceding), common line and traffic sensitive basket Initial Targeted Revenue differentials will be calculated and used.

((1)) If the combined Initial Targeted Revenue Differential of the common line and traffic sensitive baskets is greater than the remaining non-facility residual interconnection charge dollars, carriers will set the Actual Targeted Revenue Differential amounts for each basket using a proportional relationship of Initial Targeted Revenue Differential in each basket. The difference between Initial Targeted Revenue Differential and the Actual Targeted Revenue Differential will be included in the calculation of the new PCI for those baskets, using the formula in paragraph (i)(2)(iii), below, and shall be applied to all services in that basket in accordance with relative R value of each service remaining in the basket.

((2)) If the combined Initial Targeted Revenue Differential of the common line and traffic sensitive baskets is less than the remaining non-facility interconnection charge dollars, the Actual Targeted Revenue Differential amounts for the common line and traffic sensitive baskets shall equal the Initial Targeted Revenue Differential for those baskets.

(iii) In accordance with the calculations in this section, local exchange carriers shall set the PCIs for common line and traffic sensitive baskets using the following formula:

$$\text{PCI}_i = \text{PCI}_{i-1} * (1 + \Delta Z/R + (\text{Initial Targeted Revenue Differential} - \text{Actual Targeted Revenue Differential}) / R)$$

~~(1) Notwithstanding the provisions of paragraphs (b) and (c) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering interconnection charge revenues through per minute rates pursuant to § 69.124 or § 69.155 of this chapter shall target, to the extent necessary to eliminate the recovery of any residual interconnection charge revenues through per minute rates, any PCI reductions associated with the baskets designated in § 61.42(d)(1) and (2) that result from the application of the formula in § 61.45(e), and pursuant to § 61.45(b), application of the formula in § 61.44(b) as further explained in § 61.44(e), (f), (g), and (h), to the PCI for the basket designated in § 61.42(d)(3), with no adjustment being made to the PCIs for the baskets designated in § 61.42(d)(1) and (2) as a result of the application of the formula in § 61.44(b) and § 61.45(e). These reductions are to be made after the adjustment is made to the PCI for the basket designated in § 61.42(d)(3) resulting from the application of the formula in § 44(b), as further explained in § 61.44(e), (f), (g), and (h).~~

~~(2) Notwithstanding the provisions of paragraph (b) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering interconnection charge revenues through per minute rates pursuant to § 69.155 of this chapter shall target, to the extent necessary to eliminate the recovery of any residual interconnection charge revenues through per minute rates, any PCI reductions associated with the basket designated in § 61.42(d)(6) that result from the application, pursuant to § 61.45(b) of the formula, as further explained in § 61.44(e), (f), (g), and (h), to the PCI for the basket designated in § 61.42(d)(3), with no adjustment being made to the PCIs for the basket designated in § 61.42(d)(6) as a result of the application of the formula in § 61.44(b). This reduction is to be made after any adjustment made pursuant to paragraph (i)(1) of this section.~~

§ 61.45 Adjustments to the PCI for local exchange carriers.

(2) Notwithstanding the provisions of paragraphs (b) and (c) of this section, and subject to the limitations of paragraph (j) of this section, price cap local exchange carriers that are recovering residual interconnection charge revenues through per-minute rates pursuant to 69.124, 69.153(a) or 69.155 of this chapter shall, during the annual access filing, transfer or "target" to the trunking basket (and the Interconnection Charge service category in particular) the dollar impact of the marketing basket's GDPPI and productivity factor. In order to calculate the actual dollars to transfer to the trunking basket, carriers will first determine an "Initial Targeted Revenue Differential", and then determine the "Actual Targeted Revenue Differential" that will be transferred to the trunking basket to eliminate the recovery of non-facility residual interconnection charges in that basket. Dollars that are transferred to the trunking basket from the marketing basket shall not be used to reduce the marketing PCI.

(i) The application of the following formula shall be employed in determining the Initial Targeted Revenue Differential associated with the gdppl and X components of the PCIs for the marketing basket (as designated in 61.42(d)(6)).

$$\text{Initial Targeted Revenue Differential} = R * (\text{GDP-PI} - X)$$

(ii) If the targeting described in paragraph (i)(1) of this section has completely eliminated the non-facility residual interconnection charges, then the Actual Targeted Revenue Differential for the marketing basket shall be equal to zero, and the PCI formula detailed in 61.45(c) shall apply. Otherwise, the Actual Targeted Revenue Differential amount associated with the marketing basket PCI reduction is limited to greater of the Initial Targeted Revenue Differential or the remaining non-facility residual interconnection charge revenue after the Actual Targeted Revenue Differential reductions described in 61.45(i)(1) are taken. The difference between Initial Targeted Revenue Differential and the Actual Targeted Revenue Differential will be included in the calculation of the new PCI, using the formula in paragraph (iii), below.

(iii) In accordance with the targeting calculations in this section, local exchange carriers shall set the PCIs for marketing expense basket using the following formula:

$$\text{PCI}_t = \text{PCI}_{t-1} * (1 + \Delta Z/R + (\text{Initial Targeted Revenue Differential} - \text{Actual Targeted Revenue Differential}) / R)$$

(3) [Removed and reserved.] Through December 31, 1997, the reduction in the PCI for the basket designated in § 61.42(d)(3) that results from paragraph (i)(1) of this section shall be determined by dividing the sum of the dollar effects of the PCI reductions that would have applied to the baskets designated in § 61.42(d)(1) and (d)(2) except for the provisions of paragraph (i)(1) of this section by the dollar amount associated with the PCI for the basket designated in § 61.42(d)(3), and multiplying the PCI for the basket designated in § 61.42(d)(3) by one minus the resulting ratio.

(4) Effective January 1, 1998, the reduction in the PCI for the basket designated in § 61.42(d)(3) that results from paragraphs (i)(1) and (i)(2) of this section shall be determined by dividing the sum of the dollar effects of the PCI reductions that would have applied to the baskets designated in § 61.42(d)(1), (d)(2), and (d)(6), except for the provisions of paragraphs (i)(1) and (i)(2) of this section, by the dollar amount associated with the PCI for the basket designated in § 61.42(d)(3), and multiplying the PCI for the basket designated in § 61.42(d)(3) by one minus the resulting ratio.

§ 61.45 Adjustments to the PCI for local exchange carriers.

(4) The reduction in the PCI for the trunking basket designated section 61.42(d)(3) that results from paragraphs (i)(1) and (i)(2) of this section shall be determined by multiplying the PCI for the trunking basket by one minus the ratio of the dollar effect of the sum of the PCI reduction of the trunking basket and the reductions otherwise applicable to the common line, traffic-sensitive, and marketing expense baskets, to the R value of the trunking basket.

$$PCI_t = PCI_{t-1} * (1 + (\Delta Z / R + ((InitialTargetedRevenueDifferential - ActualTargetedRevenueDifferential) / R) + (Sum of Actual Targeted Revenue Differential for all baskets / R)))$$

(j) In determining the extent of the targeting that shall occur pursuant to paragraphs (i)(1) and (i)(1) of this section and § 61.47(i)(1) and (i)(2), local exchange carriers shall.

(1) Compute their anticipated residual interconnection charge amount by excluding revenues that are expected to be reallocated to cost-causative facilities-based charges in the future. To determine interconnection charge amounts so excluded in connection with the July 1, 1997 tariff filings, the following local exchange carriers shall use as an estimate of the residual interconnection charge revenues the specified residual interconnection charge percentage: NYNEX, 77.63 percent; BellSouth, 56.93 percent; U S West, 59.14 percent; Bell Atlantic, 63.96 percent; Southwestern Bell Telephone, 69.11 percent; and Pacific Bell and Nevada Bell, 53.52 percent. Each remaining price cap local exchange carrier shall estimate a residual interconnection charge in an amount equal to 55 percent of its current interconnection charge revenues. For subsequent tariff filings in which the PCI reductions are to be targeted to the interconnection charge, these initial estimates shall be adjusted to reflect the actual amounts that have or will be reallocated. If the use of these estimates results in more PCI reductions being targeted to the interconnection charge than required to eliminate the per-minute interconnection charge, the local exchange carrier shall make the necessary exogenous adjustments to reverse the effects of the excess targeting.

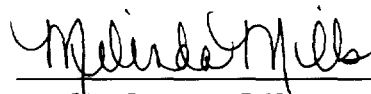
(2) Not include the amount of any exogenous adjustments reflected in the z component of the formulas in §§ 61.44(b) and 61.45(c). Any such exogenous adjustments shall be reflected in the various PCIs and SBIs in the same manner as they would if there were no targeting.

(k) [Removed and reserved.] The calculation of the PCI for the basket designated in § 61.42(d)(3) shall include any residual interconnection charge revenues recovered pursuant to §§ 69.153 and 69.155 of this chapter.

(l) [Removed and reserved.] The calculation of the PCI for the basket designated in § 61.42(d)(6) shall include any marketing expense revenues recovered pursuant to §§ 69.153 and 69.156 of this chapter.

CERTIFICATE OF SERVICE

I, Melinda L. Mills, hereby certify that I have on this 16th day of October 1998, served via U.S. First Class Mail, postage prepaid, or Hand Delivery, a copy of the foregoing "Comments of Sprint Corporation" In the Matter of 1998 Biennial Regulatory Review - Part 61 Rules and Related Tariffing Requirements, CC Docket No. 98-131, filed this date with the Secretary, Federal Communications Commission, to the persons on the attached service list.



Melinda L. Mills

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